

Weekly Economic Bulletin

Date: September 25 –October 1, 2007

Issue No. 232

Contents

- | | | |
|----------|---|------------|
| 1 | News Feature | Page 1-2 |
| | <ul style="list-style-type: none">• Nine Indian banks among top 50 in Asia• India up 12 rungs in 'Doing Business' ranking | |
| 2 | Overseas Investment | Page 2-3 |
| | <ul style="list-style-type: none">• RBI hikes foreign investment caps to \$200,000• FDI in retail just a matter of time: FM | |
| 3 | Trade News | Page 3-6 |
| | <ul style="list-style-type: none">• Italy seeks trade ties with India• Indo-German trade crosses US\$ 7.62 billion in first half of 2007• Bahrain seeks investment from India• Ban on milk powder exports lifted• Pepper, chilli drive up spices exports 26% in April-August• Capexil sees exports at \$20 billion | |
| 4 | Sectoral News | Page 6-10 |
| | <ul style="list-style-type: none">• Rural retail to cross Rs 1.8 lakh cr by '10: Study• Sky is the limit for Indian IT, literally• Steel boom beckons ore-bearing states• 'Indian IT growth outpaces global biggies'• Rs 100,000-cr power projects in 11th Plan• Realty to attract \$10-20 bn investment• Food & beverage sector to touch Rs 4,660 bn by year-end | |
| 5 | News Round-up | Page 10-12 |
| | <ul style="list-style-type: none">• Forex reserves ride high on weak dollar• India can be an equal partner in space, says Boeing• India to challenge China in manufacturing | |

News Feature

Nine Indian banks among top 50 in Asia

As many as nine Indian banks, led by HDFC Bank and ICICI Bank, have made it to the list of top 50 Asian Banks.

However, none of the Indian banks could qualify for top 10, as per this year's Asian Banker 300 report released.

Commending on Indian banks, the report said, "This (achievement) is no surprise given the Indian economy is in overdrive, with buoyant consumption and investment demand driving the banking sector's strong balance sheet growth."

Private lenders such as HDFC Bank and ICICI Bank have been able to protect their net interest margin and loan quality amid aggressive growth, further improving their earnings growth momentum.

[http://economictimes.indiatimes.com/Economy/9 Indian banks among top 50 in Asia/articleshow/2409828.cms](http://economictimes.indiatimes.com/Economy/9_Indian_banks_among_top_50_in_Asia/articleshow/2409828.cms)

India up 12 rungs in 'Doing Business' ranking

India has improved its global ranking by 12 points in the World Bank's "Doing Business — 2008", the fifth edition of its annual report on the ease of doing business in 178 economies.

The country now ranks 120, against 132 last year, but is still behind its 2005 rank of 116.

This year's performance, however, marks a significant improvement over last year, when the country's ranking dropped 16 points over 2005.

That decline had prompted the Centre to initiate a serious exercise aimed at removing bottlenecks in rules and regulations for starting businesses or closing them.

The World Bank has acknowledged the effort, describing India as "the top reformer in trading across borders" in its report released today.

Sabine Hertveldt, Investment Policy Specialist, Doing Business Team, World Bank, told Business Standard over email: "Last year, the Indian government had made the reform of business regulations an explicit policy objective, following India's ranking in last year's report. We already start to see some effects but expect to see further improvements in India's aggregate ranking over the next years."

The report said: "Traders can now submit customs declarations and pay customs fees online before the cargo arrives in port. It takes 18 days to meet all the administrative requirements to export. The credit bureau expanded to include payment histories on

businesses as well as individuals. And reformers introduced an electronic collateral registry for security."

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&bKeyFlag=BO&autono=299485&chkFlg=

Overseas Investment

RBI hikes foreign investment caps to \$200,000

Indian policy makers have put into fast forward mode the transition plan to move towards capital account convertibility, a move prompted by the surge in capital flows.

ET had reported on that RBI is pushing for higher fund outflows. Local corporates who are expanding their global footprint will now have greater freedom to invest in their foreign ventures and subsidiaries while mutual funds can park a part of their corpus in stocks of globally-listed firms and in other products.

Individuals will also be in a position to take advantage of the new window that has been opened up. The annual individual ceiling for local citizens to remit money overseas has been hiked from \$100,000 to \$200,000, offering opportunity to invest in stocks of global blue-chip firms, invest in property or spend more while travelling abroad.

The new outward foreign investment norms unveiled appear to be a desperate tilt at encouraging more outflows at a time when inflows are at a record high from all sources: portfolio flows, foreign direct investment and private equity. Opening up the window is one of the few policy options the Reserve Bank of India and the government are left with considering that placing fetters on portfolio flows on private equity is far more sensitive.

According to the new norms, a domestic firm can invest up to 400% of its net worth, from the current norms of 300%, in overseas JVs and wholly-owned subsidiaries under the automatic route. The limit for portfolio investments abroad has also been enhanced for listed Indian companies to 50% of their net worth from 35%.

http://economictimes.indiatimes.com/News/Economy/Policy/RBI_hikes_foreign_investment_caps_to_200000/articleshow/2403217.cms

FDI in retail just a matter of time: FM

India will open up its \$330 billion retail market to foreign investors after convincing mom and pop store owners that their jobs are not at threat from big players, Finance Minister P Chidambaram has said.

"In course of time, their fears will be allayed and it is only a matter of time before the policy is tweaked to allow FDI (foreign direct investment) in retail," he said during an interaction with students of Wharton School of the University of Pennsylvania

<http://www.business-standard.com/economy/storypage.php?tab=r&autono=299597&subLeft=1&leftnm=3>

Trade News

Italy seeks trade ties with India

After centuries of unilateral trade focus on Europe and the US, the North Eastern provinces of Italy have begun to show an increasing interest in trade and commerce with the East — especially with India and China. Addressing a batch of journalists from India, President of the Chamber of Commerce of Udine, Mr Valduga Adalberto said that the regions had a similar industrial history and should be part of a similar growth process, which would be of mutual benefit.

The basis of industrialisation of both India and the regions of Friuli Venezia Giulia was based on agriculture. The initial industrial phase in both countries was rooted on small and medium scale family businesses, which increased to assume large global proportions. The North Eastern Provinces of Udine, Pordenone, Gorizia and Trieste were also keen to participate in the dynamic global growth of the IT revolution and wanted to partner the growth with Indian companies.

For this, a 25-member delegation comprising of company representatives from the region had visited Delhi, Mumbai and Bangalore in India.

<http://www.blonnet.com/2007/09/25/stories/2007092552491000.htm>

Indo-German trade crosses US\$ 7.62 billion in first half of 2007

The trade between India and Germany has recorded a 15.63 per cent growth in the first half of 2007 to reach \$7.62 billion, Indo-German Chamber of Commerce (IGCC) has said.

The value of trade between the two countries stood at \$13 billion last year.

Export to Germany for the January-June period of 2007 grew 12.64 per cent to \$3.18 billion, while imports from Germany stood at \$4.44 billion during the period, a 17.86 per cent rise over the same period of last fiscal, IGCC Deputy Director-General Ajay Singha said in a statement.

He said bilateral trade has witnessed significant changes, given India's shift from export of agricultural products to industrial products and finished goods. Industrial products constituted around 92 per cent of the total exports.

"Over the recent years, we have witnessed a shift in the business interests of Indian companies, especially in the engineering sector. Indian SMEs have geared up their technologies and production capacities and are keen to provide a sourcing hub to their German counterparts," Singha said.

An increasing number of Indian SMEs are showing keenness for strategic tie-ups with German firms for technology transfer as well as joint ventures to set up manufacturing facilities in India.

India's interest in German firms is being reciprocated with Germany investing 933 million dollars in the first half of 2007 compared to \$264 million in the same period last year, he added.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Indo-German_trade_crosses_762_bn_in_first_half_of_2007/articleshow/2399314.cms

Bahrain seeks investment from India

The Economic Development Board (EDB), a Bahrain Government agency which is responsible for formulating and attracting direct investments, is now doing the rounds in Coimbatore, to lure prospective investors into investing in that country. The team is visiting this region for the second time, albeit six years after the earlier round.

Recalling his earlier trip, Dr Ganesh Raja, Country Manager (India), EDB, Bahrain, said the participants then, had been keen on exploring the export potential. "Now they are setting sights on setting up their facility in Bahrain.

"The response has been positive," he said, referring to the discussion plans and meetings lined up over the last two days.

Dr Raja was accompanied by EDB Business Development Officers Mr Adal Hameed and Mr Hamad Al-Mahmeed.

They were in the city to participate in a seminar on 'Business Opportunities in Bahrain', jointly organised by the Indian Chamber of Commerce and Industry, Coimbatore, Export-Import Bank of India and EDB, Bahrain.

<http://www.blonnet.com/2007/09/25/stories/2007092551072100.htm>

Ban on milk powder exports lifted

The ban on milk powder exports has been lifted with effect from October 1. The decision will result in the producers earning additional revenue amounting to crores of rupees. The Gujarat Cooperative Milk Marketing Federation (GCMMF) alone has lost crores in its milk powder export turnover since the ban came into effect.

Parathi Bhatol, chairman, GCMMF, said during a function recently that the ban on exports was a retrograde step. "Since the ban in February this year, the international skim milk powder (SMP) prices have increased from \$3000 per million tonne (mt) to \$5000 per mt. Our milk producers are obviously sustaining an opportunity loss of \$2,000 per mt in terms of additional realisation that they could have got and its consequent impact on the whole

range of products,” Bhatol said and added that the move had hurting India as the country was not able to export its surplus at the prevailing international prices, which were better than the domestic prices.

Now, when the ban has been lifted, the situation will change drastically. “With effect from October 1, export of milk powder has been permitted. This will give a boost to milk producers with better realization and lead to a good growth in milk production,” said BM Vyas, managing director, GCMF. He said it was good for consumers and farmers. Mehsana and Banaskantha cooperatives have increased the procurement prices this year. “After the removal of the ban, we have an option to sell in the domestic market or to export,” said Vyas. He said the ban forced the producers to sell in the domestic market and they were not able to realise better prices.

<http://www.business-standard.com/economy/storypage.php?tab=r&autono=299830&subLeft=1&leftnm=3>

Pepper, chilli drive up spices exports 26% in April-August

Spices exports in April-August rose 26% by volume to 187,000 tonne on good demand for pepper, chilli, cardamom (large), a Spices Board release said.

In value terms, exports increased 34% to Rs 1,725 crore. In the first five months of 2007-08, spices exports achieved 49% of the full-year target in volume terms. India is likely to export 380,000 tonne in 2007-08, according to Spices Board.

Pepper exports in value terms rose 124% to Rs 183 crore during the period, while in volume terms it rose 31% to 12,900 tonne. The international supply situation in pepper is likely to benefit Indian exporters, experts said. Global pepper supplies are expected to be around 329,000 tonne this year while demand is estimated at 376,500 tonne, leaving a deficit of 47,500 tonne. Chilli exports rose 116% to Rs 487 crore. India exported 88,000 tonne of chilli in April-August, up 86%.

Exports of some spices like cumin, garlic and vanilla fell short of last year’s performance, both in value and volume. Spice oils and oleoresins including mint products contributed 40% of the total export earnings during the five-month period. Chilli contributed 28% followed by pepper at 11%, cumin 5% and turmeric 4%.

http://economictimes.indiatimes.com/Markets/Commodities/Pepper_chilli_drive_up_spices_exports_26_in_April-August/articleshow/2410493.cms

Capexil sees exports at \$20 billion

Chemicals and Allied Products Export Promotion Council (CAPEXIL) plans to enhance its exports to \$20 billion in the next decade from a \$9.6 billion at present.

The membership of CAPEXIL, just above 4000 at present, is also expected to go up to 6000, during the period.

The average growth per year would be around \$1.04 billion, said Samir K Ghosh, chairman of CAPEXIL.

CAPEXIL kept the projections modest keeping in mind the ongoing rupee appreciation vis-a-vis international currencies, and aggressive marketing strategies adopted by China. CAPEXIL will encourage its members for technological upgradation, so that the Indian products can compete in the international market in terms of quality.

Ghosh said that there was a 30 to 35 per cent price difference between India and China after payment of all duties. However, Chinese products were inferior in quality, he claimed.

India needs to follow the cluster model taken up by that country to promote the small and medium enterprises.

CAPEXIL has already identified Khurja in Uttar Pradesh for a ceramics cluster and is in talks with the UP government and the Centre to set it up at Khurja to raise exports.

The council is also looking at targeting the Commonwealth and independent States (CIS) countries as a market, despite the problem of high freight charges.

As of now, about 56 per cent of CAPEXIL exports went to east Asia, 10 per cent to USA and Canada, 13 per cent to West Europe and 10 per cent to West Asia. China is the largest importer of minerals and ores, while USA tops the list in non-mineral exports. Africa is a target market, said Ghosh.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=299567

Sectoral News

Rural retail to cross Rs 1.8 lakh cr by '10: Study

The Rs 140,000 crore rural retail market is expected to cross Rs 180,000 crore mark by 2010, according to a Confederation of Indian Industry (CII) - YES BANK study. And it is likely to go up to Rs 240, 000 crore by 2015.

"India's rural markets are growing at double the rate of urban markets. The total number of rural households is expected to rise from 13.5 crore in 2001-02 to 15.3 crore in 2009-10 giving a tremendous push to the rural retail opportunity," Somak Ghosh, President, Corporate Finance and Development Banking, Yes Bank said.

The rural revolution is driven by rising purchasing power, changing consumption patterns, increased access to information and communication technology, improving infrastructure and increased government initiatives to boost the rural economy, he further added.

http://www.businessstandard.com/common/storypage_c_online.php?leftnm=11&keyFlag=IN&autono=28014

Sky is the limit for Indian IT, literally

With aviation majors like Boeing and Lockheed Martin looking at setting up captive R&D centres in India, smaller aircraft and business jet manufacturers are likely to follow suit. The other aircraft manufacturers like Bombardier, ATR, EADS Socata, Eurocopter, Hawker, Falcon are very seriously evaluating the option of setting up their R&D centre in India with a third party IT services provider or independently.

This move could mean a billion dollar business opportunity within the ecosystem of the aviation industry in India. These R&D centres would come under the engineering services segment of IT. A study done by NASSCOM and Booz Hamilton estimates that engineering services outsourcing could touch \$40 billion by 2020 and the contribution by the aerospace segment is expected to be around 15%.

European Aeronautic Defence and Space (EADS), the parent company of Airbus is setting up a technology centre in Bangalore with investment to the tune of Rs 11,000 crore. "Eventually this centre, which will handle core projects and mission critical projects, will evolve into major technology centre for Airbus," said a company official.

Aiding this momentum is the offset clause of the government which stipulates that 50% of \$10 billion order for the purchase of 126 multi-role combat aircraft deal has to be sourced locally.

Srinivas Duvvuri, VP and Chief Country Representative, Bombardier (India) said, "Currently we have partnerships with Capgemini, Infotech Enterprises and Satyam for work like technical publication, engineering design. In the future we will look at different options to grow these partnerships, as it the logical way to grow. However at the same time, I don't see any reason why we should not have our own operations like a captive centre in the country."

[http://economictimes.indiatimes.com/Sky is the limit for Indian IT literally/article show/2410079.cms](http://economictimes.indiatimes.com/Sky_is_the_limit_for_Indian_IT_literally/article_show/2410079.cms)

Steel boom beckons ore-bearing states

The eastern states like Orissa, Jharkhand and Chhatishgarh, which have more than 55 percent of total iron ore reserves of the country, can take advantage of the emerging opportunities in the steel sector, according to the experts who participated in an international seminar on steel.

Speaking at the seminar, Varun Jha, vice-president Tata Steel, said, with Indian economy on the upswing steel would be the key sector to catapult these states.

“There is huge risk, if we don't take advantage of the opportunities”, he added.

Stating that India is a young nation with maximum number of persons below 25 years of age, he said, the country is benefiting from this demographic dividend.

Besides, it is emerging as an export base for items like IT and auto components.

He said, conservative estimates put the steel demand of the country at 150 million ton by 2020.

This will require crude steel production of about 175 million tonne.

Significantly, most of the capacity additions will come from the greenfield projects in the eastern states.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=299562

'Indian IT growth outpaces global biggies'

At least two India-centric service providers are expected to figure among the global top 10 by 2010, predicts a study by global research and analyst firm Gartner.

The total market share of the top-10 global firms (includes IBM, EDS and Accenture) in 2006 was 26 per cent. However, while Indian IT companies are yet to measure up to IT global giants, they are growing fast, states the report.

The top-six, Indian-centric IT services provider — Satyam, Wipro, Infosys, TCS, Cognizant and HCL Technologies (referred to as SWITCH) — accounted for 1.9 per cent of the total \$672 billion IT services market in 2006.

In 2001, they accounted for a mere 0.5 per cent of the \$554 billion IT services market. The average annual growth rate of the SWITCH companies was 42.4 per cent in 2006 compared with a 4.3 per cent growth of the market leaders during the same period.

Partha Iyengar, vice-president, analyst and regional research director, Gartner, said, “From being relatively unknown brands a decade ago, leading India-centric providers now offer formidable competition to the global players. Large outsourcers are now re-evaluating their preferred vendor rankings to include Indian companies, especially for multi-vendor engagements. If the India-centric IT service providers continue to grow at the current pace, at least two companies will be a part of the top-10 companies globally.”

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=299461

Rs 100,000-cr power projects in 11th Plan

The Union Cabinet would shortly sanction Rs 100,000 crore worth projects for the eleventh Plan period under two key reform tools in the power sector in India — the Accelerated Power Development and Reforms Programme (APDRP) and the Rajiv Gandhi Vidyut Vitran Yojna (RGVY), said Rakesh Nath, chairperson, Central Electricity Authority (CEA).

“The Cabinet is expected to shortly clear the APDRP and RGVY projects for the 12th plan period to improve the transmission infrastructure as part of our target to meet 78,000 Mw during the Plan period. A circular power grid connecting the northern region to the western grid with 765 KVA lines would be a major component,” he said, while addressing the 60th annual general meeting (AGM) of the Indian Electrical and Electronics Manufacturers Association (IEEMA) meeting in Mumbai, yesterday.

The circular grid would cover Seepath, Zeoni, Bina, Gwalior, Agra, Fatehpur, Sasaram, Gaya and Ranchi, connecting back to Seepath in North India.

Once the ultra mega power project (UMPP) at Krishnapatinam in Andhra Pradesh takes off, a similar infrastructure would be made to connect the UMPP to the southern grid during the start of the 12th Plan period, he said.

Started during the 10th Plan period, the schemes undertaken nationally under the APDRP include renovation and modernisation of sub-stations, transmission lines and distribution transformers, consumer meters, high voltage distribution system (HVDS) and computerised billing.

<http://www.business-standard.com/economy/storypage.php?tab=r&autono=299586&subLeft=1&leftnm=3>

Realty to attract \$10-20 bn investment

Optimistic of country's real estate sector, leading Private Equity (PE) players feel \$10-20 billion would pour into the sector in the next three years.

As much as 27 per cent of the 50 PE firms responded to a recently-released Ernst & Young (E&Y) survey, however, expect USD 20 billion would be deployed into the sector, while 68 per cent believe that it would hover around \$5-10 billion in the same period.

The remaining five per cent believe that total investment would be less than \$5 billion.

All 50 PE players rate the Indian real estate sector as an 'attractive' destination and 79 per cent of them feel that India is a 'very good' or an 'excellent' investment destination compared to other Asian countries, justifying the current euphoria about Indian real estate amongst global investors.

An established and preferred mode of investment for foreign investors to enter into the Indian real estate market, PE funds played an aggressive role in the last fiscal and the same trend is likely to continue to dominate the real estate transaction activity in 2007-08.

As much as 63 per cent of the respondents feel that the current growth momentum witnessed in Indian realty would continue for the next five years with a sustained growth of 25 per cent year on year.

http://economictimes.indiatimes.com/Realty_to_attract_10-20_bn_investment/articleshow/2416097.cms

Food & beverage sector to touch Rs 4,660 bn by year-end

Driven by robust growth in areas like semi-processed, ready-to-eat food and wine, India's food and beverages (F&B) sector is expected to touch Rs 4,660-billion mark by the year-end which is growing at 9 per cent rate, a FICCI survey reveals.

The survey covering 300 sector-specific industry associations and companies projected that segments like semi processed/cooked ready-to-eat, ice-cream, wine and sugar would achieve 24 per cent, 30 per cent, 22 per cent and 25 per cent growth respectively.

The segments which are expected to record high growth between 10-20 per cent includes branded flour atta (16 per cent), bakery items like bread, cakes (11 per cent), biscuits (16 per cent), fruit juices, pulp and concentrates (18 per cent) and sauces/ketchups (17 per cent).

Apart from these, culinary products/snack food, milk products, butter, health beverages, malted food, chocolates, beer, country liquors and branded edible oil are also expected to register excellent growth.

However, items belonging to the unorganised sector which also includes processed food products, flour/atta, bread, milk and dairy products, ghee, sugar, tea, coffee and edible oil is likely to achieve moderate to single digit growth.

http://economictimes.indiatimes.com/News/Economy/Indicators/Food_beverage_sector_to_touch_Rs_4660_bn_by_year-end/articleshow/2416039.cms

News Round – Up

Forex reserves ride high on weak dollar

The growth in forex reserves continued during the week ended September 21, 2007. Total reserves, including forex assets and gold, grew by \$3.7 billion to \$235.8 billion on account of revaluation of non-dollar assets due to the weakening dollar. Also, bank credit demonstrated strong growth for the second consecutive week.

The growth in reserves happened during a week of high investment activity by foreign institutional investors. The BSE sensitive index rose 960 points during the week to close at 16,564 on September 21, 2007. Last week, after the Fed cut interest rates, the dollar fell

below Rs 40, prompting RBI to move in to purchase dollars to prevent the rupee from strengthening further.

With the Sensex crossing 17,000 this week, forex inflows are expected to continue. According to the latest figures released by RBI in its weekly statistical supplement (WSS), outstanding loans by commercial banks stood at Rs 19,83,821 crore as on September 14, rising Rs 23,748 crore from the previous fortnight's level.

Non-food credit also rose substantially by Rs 24,068 crore during the fortnight, but food credit dropped by Rs 320 crore. The pace of deposit growth has, however, slowed down. Aggregate deposits went up by Rs 6,917 crore to Rs 27,78,940 crore during the fortnight ended September 14, of which term deposits, grew by Rs 2,955 crore.

Total foreign exchange reserves including gold and SDR rose \$3,704 million during the week to touch \$235.89 billion. Simultaneously, foreign currency assets rose \$3,702 million, while the reserves parked with the IMF dipped by \$18 million.

[http://economictimes.indiatimes.com/Market News/Forex reserves ride high on dollar/articleshow/2413449.cms](http://economictimes.indiatimes.com/Market_News/Forex_reserves_ride_high_on_dollar/articleshow/2413449.cms)

India can be an equal partner in space, says Boeing

Boeing, the global aerospace giant, feels India could emerge as an equal partner in space, aviation and defence sectors, given its growing strengths.

In terms of making space travel cost effective, developing technologies that can accelerate space transportation and launch vehicles, Indian scientists and industry can play an important role, said Mr Paul A. Eckert, the International & Commercial Strategist (Space Exploration Systems) of Boeing Company.

The aerospace major believes that with adequate research and development efforts and a realistic view, which will involve creative and focused exploration missions, there are enough commercial opportunities in space. Boeing definitely is pursuing this, Mr Eckert told

“We see a value in working with Indian companies. At present we are in discussion with some select ones as well as with leading defence and space institutes,” said Mr Eckert at the 58th International Astronautical Congress here.

A team of 6 top executives from Boeing Corporation, including Mr Eckert, participated in the Congress where it had a big presence, and pursued discussions with companies and institutes.

The company is specially keen to get the small and medium enterprises (SMEs) into the bandwagon of exploiting commercial opportunities in space. SMEs can indulge in innovations, which can help big companies boost the overall objectives, Mr Eckert felt.

<http://www.thehindubusinessline.com/2007/10/01/stories/2007100151801400.htm>

India to challenge China in manufacturing

In the next 3-5 years, manufacturing could become the primary activity to be offshored to India, and surpass India's IT and business process outsourcing (BPO) activities, states a new survey.

While China has always been considered to be a manufacturing hub and India a services hub, a survey titled 'Offshoring Evolution — Changing trend in India and China across industries' by Paris-based IT company Capgemini and ProLogis states that India could challenge China's position as the manufacturing centre of the world.

The report reasons that some of the main manufacturing locations in China are becoming too expensive relative to other countries in the region, including India.

While 43 per cent of the companies that offshored manufacturing activities to India have not achieved their initial objectives, the main barrier to success has been the lack of manufacturing and supply-chain infrastructure.

If the Indian government makes significant investments in this infrastructure then it should be able to attract foreign manufacturing activities and realise its potential.

"India is on the threshold of an exciting opportunity in the manufacturing outsourcing space. So huge is the opportunity that reputed respondents in the study have indicated that they see manufacturing activities as the primary activity to be offshored to India within the next 3-5 years, which will surpass India's IT and BPO activities," says Salil Parekh, executive chairman, Capgemini India.

<http://www.business-standard.com/economy/storypage.php?tab=r&autono=299687&subLeft=1&leftnm=3>